

To: National Grid Gas plc (with respect to its gas distribution networks)

(Company Number: 02006000)

Northern Gas Networks Limited

(Company Number: 05167070)

Scotland Gas Networks plc

(Company Number: SC264065)

Southern Gas Networks plc

(Company Number: 05167021)

Wales and West Utilities Limited

(Company Number: 05046791)

(each a "licensee")

NOTICE UNDER PART B OF SPECIAL CONDITION 2A (GOVERNANCE OF GD1 PRICE CONTROL FINANCIAL INSTRUMENTS) OF EACH GAS TRANSPORTER LICENCE ISSUED UNDER SECTION 7 OF THE GAS ACT 1986 ("the Act")

Assessment of the effect and impact of the intended modification

1. Special Condition 2A (Governance of GD1 Price Control Financial Instruments) ("SC 2A") of the gas transporter licence provides that the Gas and Electricity Markets Authority ("the Authority") may give at least 28 days' notice of an intended modification of the GD1 Price Control Financial Instruments, including the GD1 Price Control Financial Model (PCFM), if having carried out the assessment set out in Part A of SC 2A, the Authority considers that the intended modification would not be likely to have a significant impact on the licensee or any of the other persons referred to in paragraph 2A.4 of SC 2A.
2. The Authority considers that the intended modification of the (PCFM), set out in paragraph 3 of this Notice, would not be likely to have a significant impact on the licensee or any of the other persons referred to in paragraph 2A.4 of SC 2A, because it consists of minor modelling and labelling changes.

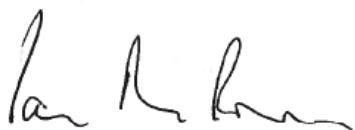
PCFM Modifications

3. The Authority proposes to modify the PCFM by:
 - a) amending a formula on the Input worksheet to ensure that appropriate time value of money factors are applied to the spreading of legacy adjustment values across the RIIIO-GD1 price control period; and
 - b) amending the Tax Trigger worksheet to allow different Tax Trigger Type B event values to be entered for each licensee.
4. The Authority's reason for proposing the modifications to the PCFM set out in paragraph 3 is to ensure the correct calculation of the term MOD. MOD values are used in the formula for Base Distribution Network Transportation Activity Revenue, set out in Special Condition 1B (Restriction of revenue in respect of the Distribution Network Transportation Activity), and are produced for each licensee under the Annual Iteration Process for the PCFM.
5. The modifications referred to in this Notice are shown in Appendices 1 and 2 which consist respectively of:
 - a) an Oak report setting out the modifications to the PCFM (Appendix 1); and
 - b) a copy of the PCFM incorporating the modifications (Appendix 2).

6. Copies of this Modification and other documents referred to in this Notice are available on the Ofgem website (www.ofgem.gov.uk).

Now therefore

7. In accordance with paragraph 2A.9 of SC2A, the Authority hereby gives notice to the licensee that it proposes to make modifications to the PCFM as set out in paragraph 3 of this Notice.
8. Any representations on the proposed modifications to the PCFM may be made on or before 28 August 2015, and should be addressed to: Adanma Joseph-Anyaegebu, Regulatory Finance Team, Office of Gas and Electricity Markets, 9 Milbank, London, SW1P 3GE or by email to Adanma.Joseph-anyaegebu@ofgem.gov.uk.
9. All responses will normally be published on Ofgem's website. However, if respondents do not wish their response to be made public then they should clearly mark their response as not for publication. Ofgem prefers to receive responses in an electronic form so they can be placed easily on the Ofgem website.



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Ian Rowson

Associate Partner, Regulatory Finance and Compliance

Smarter Grids and Governance

Duly authorised on behalf of the Gas and Electricity Markets Authority

30 July 2015